

USAID Bosnia Business Development Project (BDP) Phases:

Phase One:

Emergency Lending

(June 1996-September 1998)

Phase Two:

Institutionalization and Training

(October 1998-September 2000)

Phase Three:

Transition and Exit Strategy

(October 2000-December 2003)

Key Activities:

- ◆ Establish BDP lending office and infrastructure
- ◆ Undertake aggressive emergency lending across Bosnia

- ◆ On-going Small & Medium Enterprise (SME) commercial lending
- ◆ Institute sound lending policies and procedures
- ◆ Initiate problem loan management activities
- ◆ Conduct extensive local staff and agent bank training and development
- ◆ Initiate transition planning

- ◆ On-going SME lending
- ◆ Initiate on-lending program to select commercial banks and micro-credit organizations
- ◆ Intensify training and development program for on-lending financial institutions
- ◆ Design and implement a program to sell the BDP loan portfolio

Commercial Loan Portfolio Description . . .

Key results: \$162 million in loans (92% repaid) led to 15,000 new jobs created and 27,500 additional jobs sustained.

The loan quality was well defined:

- ◆ all credits were risk rated based on a system consistent with global commercial banking practices,
- ◆ Relationships were established with the borrowers to understand and predict business performance, and
- ◆ liquidation efforts (e.g., legal action and collateral foreclosure) were commenced early, when necessary.

Overall Program Strategy . . .

The program promotes rapid extension of commercial credit and employment generation while ensuring that:

- ◆ loans go primarily to viable private sector firms for eligible purposes in this environment,
- ◆ there are effective controls and accountability mechanisms,
- ◆ the credit requests are packaged, underwritten and presented to the USAID Mission Director and Bosnian Central Bank by the contractor and Bosnian staff,
- ◆ the loans are closely monitored and effectively collected by Bosnian staff.

Lending Terms and Conditions . . .

- ◆ **Loan Size:** Minimum--US \$100,000; Maximum--US \$1,000,000
- ◆ **Loan Terms:** generally 3 years; longer terms approved in exceptional cases; grace periods up to 6 months
- ◆ **Interest Rate:** fixed for the life of the loan at 4 percent over London's one year LIBOR on the day of the initial disbursement of funds
- ◆ **Collateral:** minimum coverage of 150% of the loan amount; business related real and moveable property and personal residences
- ◆ **Insurance:** collateral coverage and key man

SME Lending Overview . . .

Loan Approval Process:

- ◆ Loan applications
- ◆ Site visit
- ◆ Credit analysis
- ◆ BF recommendation
- ◆ USAID and Bosnian Central Bank approval

Loan Recommendations:

- ◆ Loan purpose
- ◆ Company background
- ◆ Industry, market, competition analysis
- ◆ Management analysis
- ◆ Financial analysis
- ◆ Risks & mitigations

Loan Management:

- ◆ Monitoring
- ◆ Disbursement management
- ◆ Collection
- ◆ Collateral & Insurance exceptions management
- ◆ Audits

Simultaneous Bank Strengthening Overview . . .

Types:

- ◆ Classroom training
- ◆ In-Bank training
- ◆ Coaching and Counseling
- ◆ Interns in Business Finance
- ◆ In-bank Credit Advisors

Targets for Strengthening:

- ◆ Agent Banks—12
- ◆ Credit Advisors--5

Training and TA Statistics:

- ◆ Seminars—120
- ◆ Topics—20
- ◆ Participants—3,000
- ◆ Banks—61

Program Results:

- ◆ Good credit screening processes
- ◆ Detailed Site visits
- ◆ Use of Spreadsheet analysis
- ◆ Thorough Credit Packages
- ◆ Good disbursement procedures